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SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-72397; File No. SR-ICC-2014-05]

Self-Regulatory Organizations; ICE Clear Credit LLC; Order Approving Proposed Rule Change to Update ICC's Policy Regarding Valuation of Maturing U.S. Treasury Securities and Update ICC's Collateral Asset Haircut Methodology
June 16, 2014.

I. Introduction

On April 22, 2014, ICE Clear Credit LLC ("ICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change SR-ICC-2014-05 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder.² The proposed rule change was published for comment in the Federal Register on May 8, 2014.³ The Commission received no comment letters regarding the proposed change. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

II. Description

ICC is proposing to update (1) its policy regarding valuation of maturing U.S. Treasury securities, and (2) its collateral asset haircut methodology. Under the proposed change, ICC will reduce the collateral valuation of maturing securities to \$0 two business days prior to maturity. Clearing Participants will receive notice the week prior to any collateral maturity dates and will be encouraged to replace maturing securities with other acceptable collateral. If collateral

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 34-72083 (May 2, 2014), 79 FR 26490 (May 8, 2014) (SR-ICC-2014-05).

matures while on deposit with ICC, proceeds will be credited to the margin or guaranty fund account, as appropriate, when received by ICC on the maturity day.

ICC has stated that it and other IntercontinentalExchange, Inc. clearing houses have applied this methodology when nearing the U.S. debt ceiling, so that this proposed rule change will provide consistent collateral valuation certainty at all times, as well as consistent implementation of this policy across other IntercontinentalExchange, Inc. clearing houses. ICC has also stated that revaluing the maturing securities two business days prior to maturity will allow for collection of additional margin or guaranty fund, if required, prior to maturity. ICC's Treasury Operations Policies and Procedures will be updated to reflect this change, and ICC plans to notify Clearing Participants of the change via circular, upon approval by the Commission.

Furthermore, in order to provide consistency in the calculation of collateral asset haircuts among the IntercontinentalExchange, Inc. clearing houses, ICC is updating its Risk Management Framework pursuant to the proposed change. Currently at ICC, haircuts for relevant assets (e.g. U.S. Treasury securities and currencies) are calculated using a five-day liquidation period and a 99% confidence interval expected shortfall calculation. Under the proposed rule change, the IntercontinentalExchange, Inc. clearing houses will calculate haircuts for relevant assets using the greater (which may be rounded to the nearest 1%) of: (i) the haircut determined using a five-day liquidation period and a 99% confidence interval expected shortfall calculation (currently used at ICC), and (ii) the haircut determined using a two day holding period and 99.9% confidence interval Value-at-Risk calculation. ICC has stated that because the haircut currently used by ICC, that is, the haircut determined by using the five-day liquidation period and a 99% confidence interval expected shortfall calculation, is usually greater than the haircut determined

using the two day holding period and a 99.9% confidence interval Value-at-Risk calculation, the haircut currently used at ICC will continue to be the driver of haircuts and thus, this proposed rule change will have little practical impact on ICC's current haircut values. Furthermore, ICC has stated that as applied to currencies, should ICC choose to use one haircut for a given foreign exchange pair (e.g. USD v. Euro, Euro v. USD), ICC will apply the more conservative haircut. ICC has also stated that the changes to the methodology for calculation of collateral asset haircuts do not require any operational changes.

III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act⁴ directs the Commission to approve a proposed rule change of a self-regulatory organization if the Commission finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such self-regulatory organization. Section 17A(b)(3)(F) of the Act⁵ requires, among other things, that the rules of a clearing agency are designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions, to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible and, in general, to protect investors and the public interest.

The Commission finds that the proposed rule change is consistent with the requirements of Section 17A of the Act.⁶ The proposed change to ICC's valuation of maturing securities will ensure ICC maintains adequate liquidity and the proposed change to ICC's haircut methodology

⁴ 15 U.S.C. 78s(b)(2)(C).

⁵ 15 U.S.C. 78q-1(b)(3)(F).

⁶ 15 U.S.C. 78q-1.

will provide appropriate collateral valuation in a manner consistent or more conservative than existing policy. The proposed changes, therefore, are each consistent with the requirements of Section 17A(b)(3)(F) of the Act⁷ of promoting the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivatives agreements, contracts, and transactions, and helping to protect investors and the public interest.

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act⁸ and the rules and regulations thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁹ that the proposed rule change (File No. SR-ICC-2014-05) be, and hereby is, approved.¹⁰

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹¹

Kevin M. O'Neill,
Deputy Secretary.

⁷ 15 U.S.C. 78q-1(b)(3)(F).

⁸ 15 U.S.C. 78q-1.

⁹ 15 U.S.C. 78s(b)(2).

¹⁰ In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

¹¹ 17 CFR 200.30-3(a)(12).

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